Demographic Change

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Newfoundland & Labrador Issues & Implications

ECONOMICS & STATISTICS
Department of Finance

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Economics and Statistics Branch
Department of Finance

The Branch is responsible for meeting the broad macroeconomic and statistical requirements of Government and its agencies. As part of this mandate, the Branch is responsible for monitoring and briefing Government on demographic developments in the province, and preparing long-term population projections for planning purposes. Population projections in this report were produced using Department of Finance models and are available on Government's website.

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Fertility and Births

Currently the province's fertility rate is 1.3 children per child-bearing age woman on average, the lowest in the Country and well below the 2.1 rate required to just maintain population in the absence of out-migration.

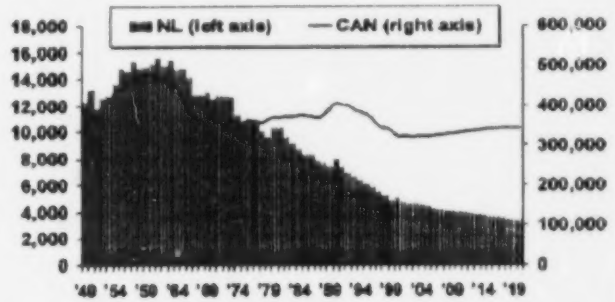
The roots of the province's current demographic situation began with the high fertility rates and births that characterized most of the industrialized world during the 20-year period that followed World War II. The *baby boom* period ended midway through the 1960s as female baby boomers began pursuing higher education and entering the workforce at rates previously not witnessed. This, combined with the introduction and proliferation of more birth control methods and a rising number of abortions, pushed fertility rates and births down in most of the industrialized world.

Fertility rates and births leveled off in Canada, similar to other industrialized countries, around the late-1970s to early-1980s, but Newfoundland and Labrador did not experience a similar trend. Fertility rates in this province continued to decline well into the 1990s, a period of rapid and widespread economic decline in many parts of the province.

The number of births have declined continuously since the *baby boom* ended in the mid-1960s. Births dropped from over 12,600 in 1971 to about 4,500 in 2004, and are projected to drop to less than 3,400 by 2020. This trend is the result of a complex set of economic, social and cultural factors that are not easily changed by policy interventions.

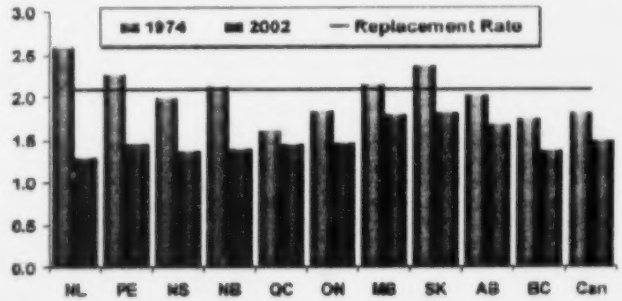
Newfoundland and Labrador's Fertility Rate is the Lowest in the Country

Number of Births
Canada and Province, 1949 to 2020p



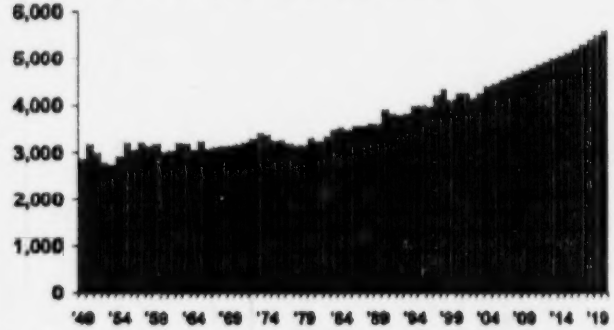
Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Fertility Rates
Canada and Provinces, 1974 and 2002



Source: Statistics Canada

Deaths
Newfoundland and Labrador, 1949 to 2020p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Mortality

In tandem with increasing life expectancy, age specific mortality rates have generally declined over the past 30 years. That is, people are living longer on average. However, aging of the population has caused deaths to increase from about 3,200 in 1971 to roughly 4,400 in 2004.

Newfoundlanders and Labradorians are living longer on average, similar to the rest of Canada and other industrialized areas of the world. Life expectancy has increased from roughly 72 in the early 1970s to roughly 78 today. A number of factors have contributed to gains in the province's life expectancy including improved health care services, better nutritional awareness and practices, and higher average incomes.

Life expectancy is expected to continue rising in line with historical trends in the coming years, but as more and more people move into the older age groups the number of deaths are projected to grow to about 5,500 by 2020.

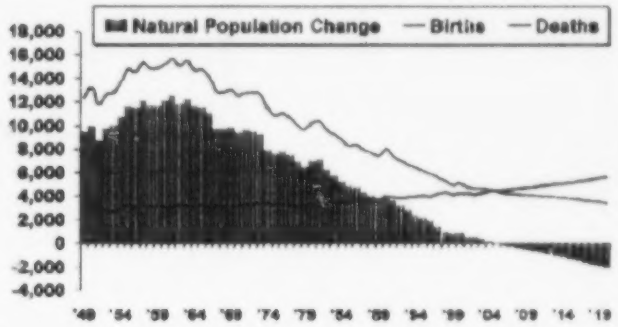
The Number of Deaths are Gradually Increasing as Population Ages

Natural Population Change

Natural population change (births less deaths) is one of the key components of population change.

The high rate of positive natural population change in this province in the past provided a cushion against net out-migration. This situation has changed quite significantly in the last decade, however, with the province recording large declines in the rate of natural population growth—the result of increasingly fewer births and aging-related increases in deaths. In 2004, the natural population change (births less deaths) was only 151, the lowest on record. Deaths are likely to exceed births in the very near future, possibly as soon as the end of 2005, and this negative natural population change is expected to become progressively larger over the projection period (present to 2020).

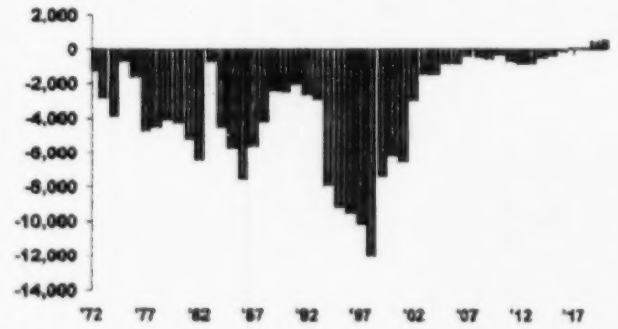
Natural Population Change
Newfoundland and Labrador, 1949 to 2020p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Deaths will Soon Exceed Births

Total Net Migration
Newfoundland and Labrador, 1972 to 2020p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Net Migration (youth 15 to 24 years)
by Economic Zone, 1991 to 2001

Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Migration

Net-migration (in-migrants less out-migrants) is another key component of population change. Net-migration has traditionally been negative as the number of people leaving has generally out-numbered the number moving to this province.

Newfoundland and Labrador typically has high rates of net out-migration, with young people leaving their home communities (particularly in rural areas) to further their education and/or to seek employment.

Labour force growth has been strong over the past 25 years due to a large number of new entrants (relative to attrition) and rising female labour force participation rates. There has been strong incentives to encourage this growth in the past. For example, the growth of part-year or seasonal employment in tandem with a reliance on UI/EI benefits and government job creation, encouraged rapid growth in labour supply. At times, growth in population and labour supply outstripped the local labour market's ability to keep pace. The result was high unemployment rates and high rates of youth out-migration. Youth out-migration was particularly large in rural areas of the province dependent on the fishery.

Between 1972 and 1993, annual net out-migration averaged about 3,600. Net out-migration increased rapidly after 1994 (following the cod collapse, government restraint measures, and EI reform), reaching a peak of roughly 12,000 in 1998. Net out-migration has declined in recent years as labour markets have improved and adjustments related to the unique economic shocks mentioned above were absorbed. The 2003-04 Census year showed modest net out-migration of -1,474 persons, on par with the previous year, but much lower than the 1990s trends.

Net Out-Migration is Slowing

POPULATION

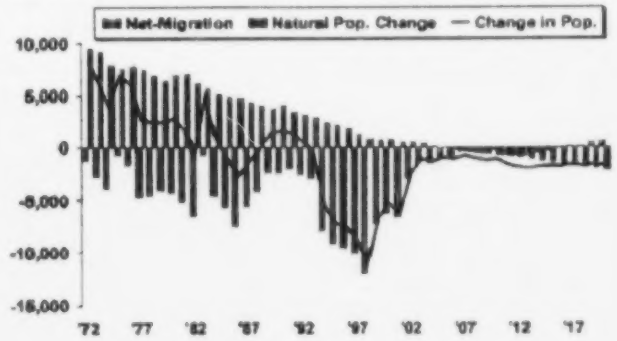
Historically, the impacts of out-migration on population growth have been offset by a high level of natural population growth. In the 1990s, however, the continual decline in births, together with severe economic shocks took their toll. A sharp increase in out-migration combined with low natural population growth resulted in significant population declines.

Between 1991 and 2004, the province's population declined by 10.8% or 62,491 persons. Since 1998-99, however, population losses have being decreasing in tandem with improvements in the economy. In 2004 the population decreased by 1,323, over 2003.

Negative natural population change and net out-migration in the short to medium term will probably result in continual modest population declines over the next 15 years. Total population is projected to drop from 516,000 today to roughly 495,000 in 2020. While estimates of decline vary (i.e., others project larger declines), most demographic forecasters in Canada are consistent in the view that population will likely decline in this province over the medium term.

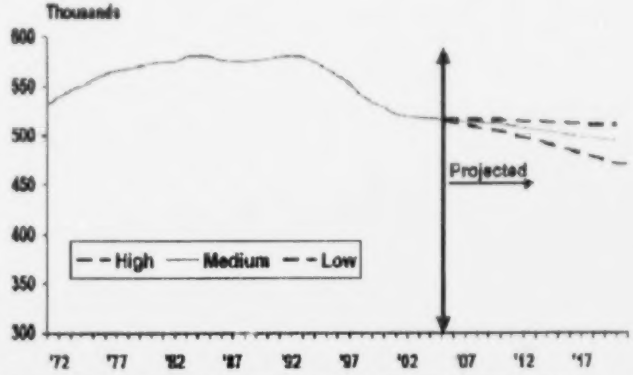
Modest Population Declines are Expected to Continue

Change in Population
Newfoundland and Labrador, 1972 to 2020p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

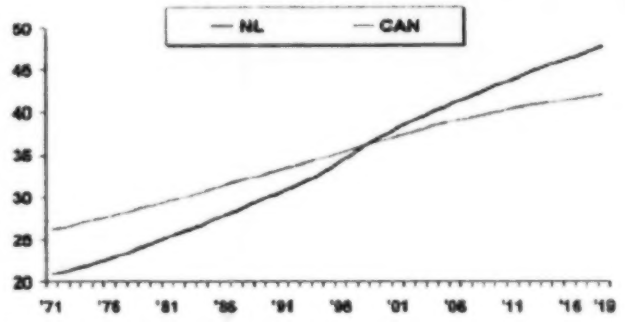
Population
Newfoundland and Labrador, 1971 to 2020p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

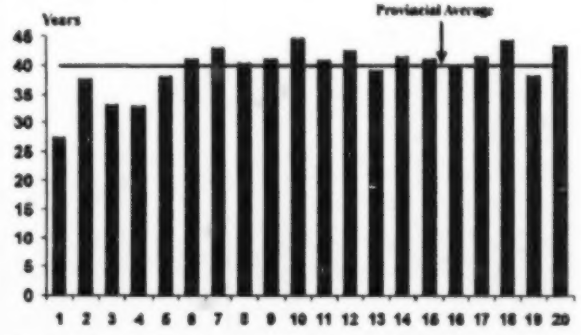
Note: High, medium and low population projections vary depending on high medium and low assumptions for fertility rates, net migration levels and life expectancy.

Median Age of Population
Canada and Province, 1971 to 2020p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Median Age by Economic Zone
Newfoundland and Labrador, 2004



Source: Economics and Statistics Branch, Department of Finance

AGING

All Canadian provinces are faced with an aging population and are very concerned with the challenges this presents for the delivery and financing of social services. In Newfoundland and Labrador, however, the aging phenomenon and government concern has been exacerbated by high rates of out-migration among young people in the most fertile child-bearing age range and extremely low fertility rates. As a result the province's population has aged much more rapidly than any other province in the country over the last 30 years. The province's median age has gone from five years lower than Canada's in 1971 to two years higher than Canada's in 2004.

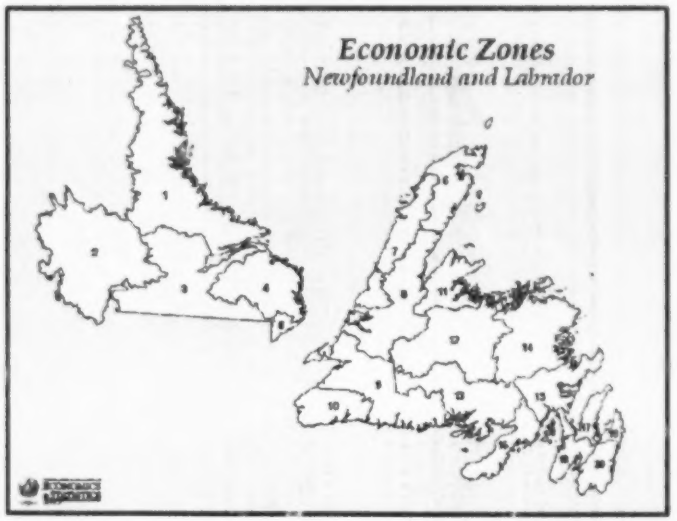
The median age in the province is expected to increase from 40 years of age in 2004 to roughly 48 years in 2020. Rapid aging of the population is perhaps one of the most important demographic challenges confronting the province because of its significant implications for Government.

The aging trend is expected to be more pronounced in rural areas of the province as youth out-migration from these areas continues. For example in Economic Zone 10 on the province's Southwest Coast, the median age is roughly 44 years, 4 years higher than for the province as a whole, and is expected to increase to the high-fifties by 2020. Thus, the impacts of aging will be even more severe in some areas versus others.

Newfoundland and Labrador's Population is Aging Rapidly

Regional Demographic Change

Population has declined in most regions of the province since 1993, but the pattern of decline has differed, with fishery/EI-dependent rural regions disproportionately impacted. With the exception of one zone in Labrador, all areas experienced population losses over the 1991 to 2005 period. Areas more heavily dependent on the groundfish fishery such as the Northern Peninsula, the Northeast Coast, the South Coast and areas of the Avalon Peninsula outside the St. John's Census Metropolitan Area experienced the largest population losses.



Larger population losses in rural areas of the province have resulted in an increased concentration of the population in urban areas. Further shifts in the regional distribution of the province's population are expected as youth out-migration from rural areas. This combined with negative natural population change means that the share of total population in rural areas will continue to trend downward. Thus, while total population decline is expected to moderate, some regions of the province will continue to record significant population decline while others will experience population growth.

The Share of Population in Rural Areas is Expected to Continue Declining

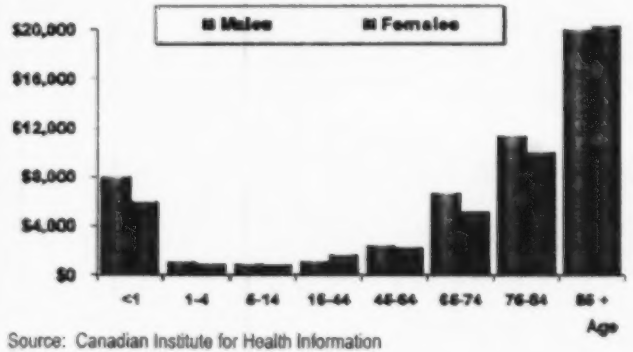
Population Change by Economic Zone
1991-2020 Medium Scenario*

	1991 to 2005 Change		2005 to 2020 Change	
Economic Zone	Actual	Percent	Actual	Percent
1- Inukshuk	122	3.9	248	7.7
2 - Hyron	-2,221	-17.9	-184	-1.8
3 - Central Labrador	-758	-7.4	338	3.5
4 - Southeastern Aurora	-469	-15.5	-257	-10.0
5 - Labrador Straits	-227	-10.2	-27	-1.3
6 - Nordic	-3,651	-27.7	-1,361	-14.3
7 - Red Ochre	-2,634	-21.7	-408	-4.3
8 - Humber	-5,402	-11.6	-1,234	-3.0
9 - Long Range	-5,123	-18.4	-2,096	-9.2
10 - Marine & Mountain	-3,508	-27.5	-1,900	-20.6
11 - Emerald	-4,495	-22.3	-1,963	-12.5
12 - Exploits Valley	-3,559	-11.4	409	1.5
13 - Coast of Bays	-1,839	-18.0	-534	-6.4
14 - Kittiwake	-9,820	-16.9	-4,602	-9.5
15 - Discovery	-5,742	-16.2	-2,882	-9.7
16 - Schooner	-6,148	-21.2	-4,117	-18.1
17 - Mariner	-6,290	-13.7	-7,103	-18.0
18 - Avalon Gateway	-2,738	-25.0	-1,666	-20.3
19 - Capital Coast	3,212	1.7	6,712	3.6
20 - Irish Loop	-2,122	-19.0	637	7.0
Total Province	-63,418	-10.9	-21,990	-4.3

Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

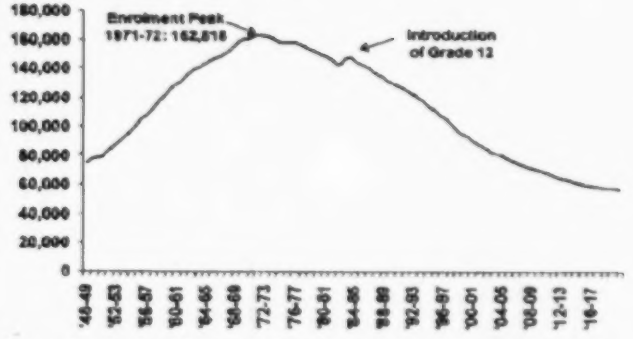
*Population projections are preliminary and subject to change.

Health Care Expenditures Per Capita by Age
Newfoundland and Labrador, 2001



Source: Canadian Institute for Health Information

K-12 Enrolment, Newfoundland and
Labrador, 1948-49 to 2019-20p



Source: Department of Education; Economics and Statistics Branch, Department of Finance

IMPLICATIONS

The impacts of demographic change, while not all negative, will be felt across a broad spectrum of Newfoundland and Labrador society. It will create challenges in some areas and opportunities for others.

Some areas likely to be impacted include:

- Business sector (e.g., shifting spending patterns and needs)
- Health Care (e.g., home support services, pharmaceuticals)
- Education (e.g., declining enrolment, life-long learning)
- Municipalities (e.g., declining revenue base in some communities)
- Justice (e.g., changing nature of criminal activity)
- Social Assistance (e.g., shifting needs)
- Regional Economic Development (e.g., declining rural population)
- Workplace Injury (e.g., higher rehabilitation costs for older workers)
- General Public Sector (e.g., revenue generation, expenditure pressures)
- Labour Markets (e.g., demand, supply imbalances)

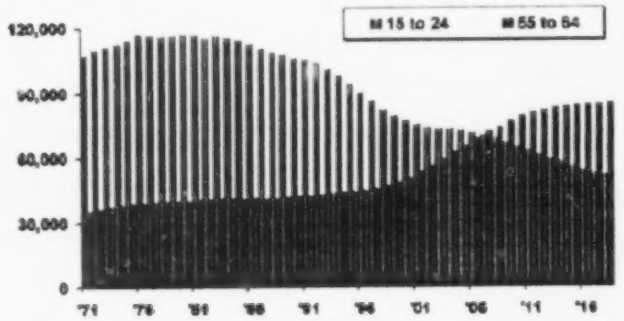
Demographic Change has Far Reaching Implications for Society

Labour market imbalances will change in the future as demand for workers overtakes supply. Fewer young people available to enter the labour force (due to falling births) combined with the likely attrition of large numbers of baby boomers from the labour force could result in labour shortages over the next 15 years.

Many areas, including Canada and the United States, will have to contend with the phenomenon of labour force aging over the next 15 years. Aging will put additional pressures on labour markets and probably bid up wage rates. If the province is to keep and attract the workers (both skilled and unskilled) that will be needed in the future, then wages and tax regimes will have to be competitive with the rest of North America.

The Size of the Replacement Group Needed to Cover Retirements and New Employment is Shrinking

Potential Labour Force Entrants vs. Retirees
Newfoundland and Labrador, 1971 to 2020p



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

The Two Most Significant Demographic Challenges Confronting the Province in the Coming Years have to do with Aging and Regional Population Shifts

Summary

Population decline has slowed in recent years as adjustments to the short and medium term problems created during the 1990s by groundfish closures; major reform of the EI/UI program; and public sector restraint are all but complete. Strong economic and employment growth over the last number of years has slowed migration flows.

While population decline has slowed considerably from the 1990s, there is no relief in sight in the foreseeable future for demographic issues stemming from declining births and rising deaths. Consequently, the natural population change is expected not only to continue declining but to actually become negative within the next year or so.

Demographic trends are likely to significantly alter the expectations, demand and needs of the province's population. The impacts will affect a broad spectrum of this province's society and present particular challenges for the public sector.